

POWERING MASSACHUSETTS

July 14, 2004

Mary Cottrell, Secretary
Commonwealth of Massachusetts
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

**Re: Request for Publication of Capacity Assignment Numbers for
Commercial Natural Gas Customers in Massachusetts**

Dear Ms. Cottrell:

Competitive Energy Services – Massachusetts, LLC (“CES-MA”) is licensed by the Commonwealth of Massachusetts to broker natural gas and electricity to commercial and industrial customers in Massachusetts (License Nos. RA-015 and EB-023, respectively). We are writing to request that the Department of Telecommunications and Energy (“DTE”) issue an order to all natural gas utilities (“LDCs”), that they make available in electronic format and on a quarterly basis the capacity assignment numbers for each commercial and industrial account served by the LDC.

The DTE has taken many positive steps towards promoting retail competition in both the natural gas and electricity markets. These steps have created well-functioning and expanding retail markets for large users of electricity and natural gas. CES-MA believes that the elimination of Standard Offer Service in 2005, will remove the last institutional barrier to the migration of smaller electricity customers to the competitive market. While migration of small customers has been slower than that for large customers, as might be expected, the migration is occurring and in the view of CES-MA is likely to accelerate in the future. Unlike the case with electricity, significant institutional barriers persist with respect to the migration of small natural gas customers to the competitive market. One of the most important of these constraints is the existence of a capacity assignment, which is passed on to the customer and the “black box” nature of capacity assignment, where it is difficult to understand how it is calculated and impossible to determine what that number is.

As the DTE is aware, CES-MA has been especially active in Massachusetts in attempting to procure both electricity and natural gas supply for small commercial customers. We have had good success in the electricity market in large measure because the DTE has facilitated the development of this market through its order directing the investor owned utilities to make available to licensed competitive providers of electricity in electronic format the names, addresses and usage levels of all commercial and industrial customers. The availability of this information has greatly assisted CES-MA, and we believe all other marketers, suppliers, aggregators and brokers, in its marketing efforts to reach these smaller commercial customers. Of course, each competitive provider must agree to certain conditions regarding the use of this information, and is subject to the forfeiture of its license (among other potential sanctions) if the information is misused.

CES-MA is not aware of instances in which this information has been misused. Quite the contrary, as we noted above, we believe that the information has been key to the development of the retail electricity marketplace for smaller commercial customers. Knowing which small customers are already being served competitively, eliminates both the costs and inconveniences of unwanted sales calls; knowing which small customers are taking Default vs. Standard Offer Service, allows a salesperson to more accurate comparison of competitive options to the current service the customer is taking, which, in turn, enables the customer to make a more informed decision; and knowing the monthly usage patterns of smaller customers allows the supplier to price that customer prior to the sales visit, further reducing the expense and inconvenience of multiple sales calls.

The current situation in the natural gas market is much less conducive to the development of a retail market for smaller commercial customers, and as a result, there are few suppliers offering to serve this class of customer. CES-MA believes that this situation can be reversed if the DTE orders LDCs to provide in electronic format and on a quarterly basis the same information that electric utilities now provide – plus one more piece of information and that is the “capacity assignment” number for each customer account.

Whether capacity assignment is or is not consistent with competitive retail markets is irrelevant at this point. Though we do not necessarily agree with the capacity assignment principle, we accept the fact that capacity assignment is a fact of life in Massachusetts. For small customers the problem is not with capacity assignment *per se*, but is rather with the fact that suppliers cannot determine in advance the capacity assignment for each customer account. Instead, they must obtain this from the LDC. Yet, this number is necessary in order for a supplier to quote a price for each customer account. As a result, the marketing costs for small customers that are already much larger on per BTU basis than for larger customers are increased to a point that is often beyond economic feasibility. In addition the customer is inconvenienced by the necessity of receiving multiple sales calls in order to close a sale.

CES-MA believes that the competitive retail market for natural gas for small commercial customers would be improved markedly if each LDC is required by the DTE to make available in electronic format and on a quarterly basis information related to commercial and

industrial customer accounts that is similar to the information currently made available by electric utilities, with the addition of the capacity assignment number for each customer account. The terms and conditions under which this information would be provided and used should be similar to those governing the provision and use of electricity information.

Accordingly, CES-MA is writing to urge the DTE to order this information to be made available, and to do so order well in advance of this heating season so that commercial customers can begin to realize the advantages of the competitive market like their larger counterparts in Massachusetts.

If you have any questions or require any additional information, please give us a call at (207) 772-6190.

With best regards, we are

Sincerely,

Richard Silkman
Member

Mark Isaacson
Member

Jon Sorenson
Member